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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

C-68 WORLD COTTON PROSPECTS March 26, 1931

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SUMMARY

The price of American cotton rose to a level about 2 cents per pound above the low point of December 15 by the first week of March, but on March 20 it was about one-half cent below the peak of March 4. The movement of prices for other growths was somewhat in line with the prices for American. With the upward movement of prices there was increased buying and price-fixing which continued fairly well throughout February, but with the decline in prices in early March there has been some relaxation.

The world visible supply of all cottons on March 13, 1931, was about 2,163,000 bales above the supply on the corresponding date last year and the visible supply of American cotton was about 2,330,000 bales more than last year. The decrease in the visible supply of all growths from February 13 to March 13 this year was 105,000 bales compared with a decrease last year of 448,000 bales. The same comparison for American shows a decrease of 230,000 and 512,000 bales, respectively, for this year and last.

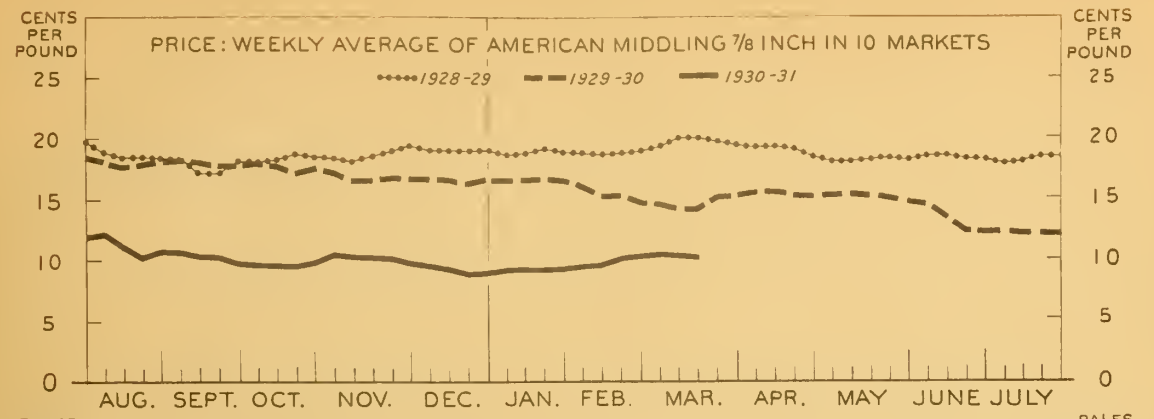
In February exports exceeded those for February, 1930, by 31,000 bales, but for the season to the end of February, exports were 389,000 bales below the first seven months last season.

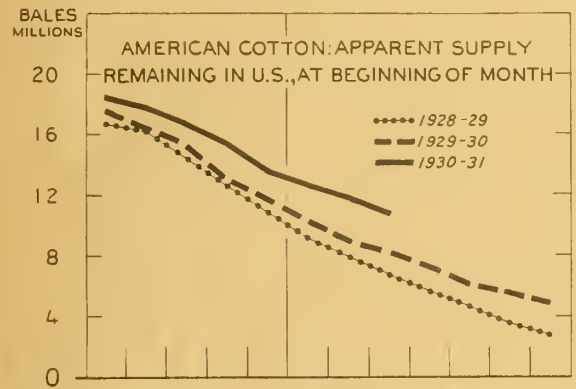
Sales of cotton cloth in February were at the highest weekly average since September 1929. The increase in shipments in January and February reduced the stocks to the lowest figure since November, 1927, and the increase in sales made the total of unfilled orders the largest since December, 1929. This created considerable optimism in the industry. Apparently the

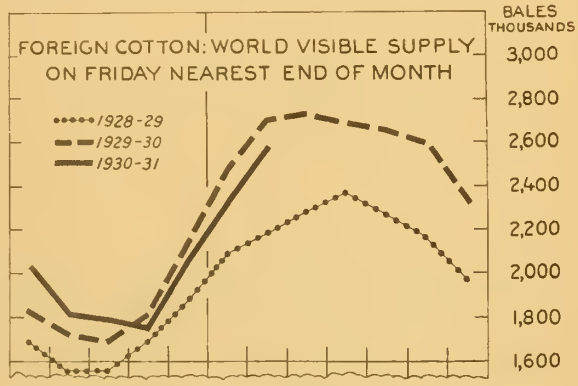
increase in sales was mostly of goods for household uses.

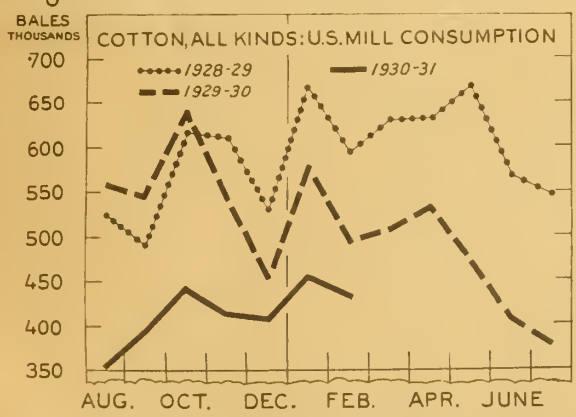
Better relations between Great Britain and India and the promise of elimination of the boycott on British goods in addition to the January and February strengthening in prices of raw cotton, have stimulated trade in cotton textiles abroad. At the beginning of March trade sentiment was better than it had been for a long time. Since then it has not been quite so good. Recent reports from Manchester, however, state that the yarn and cloth markets are more active and that sales to India are larger and prospects for trade with China are better. As yet there has been no material stimulus of actual business for the cotton mills of Continental Europe. In China the piece goods tariff has given encouragement to the weaving industry and more looms are being added in the fine goods mills. This has caused prices of higher count yarns to rise, which in turn has increased the interest in American cotton.

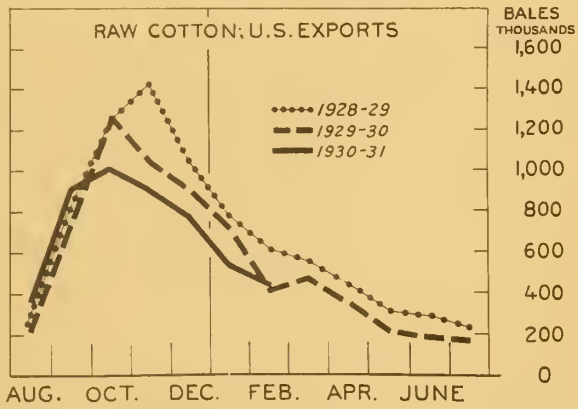
THE COTTON PICTURE

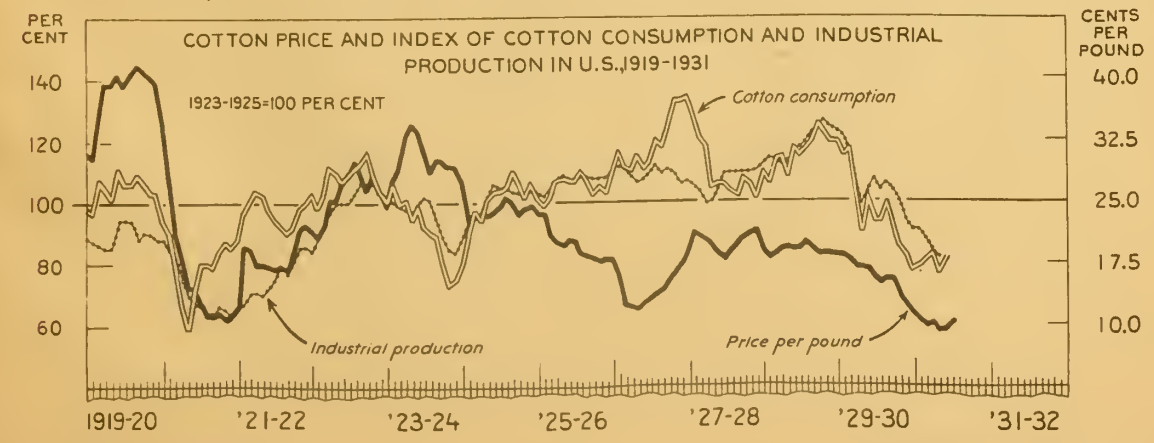












U.S. DEPARTMENT OF AGRICULTURE

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Prices

Spots

The general advance in cotton prices which began about the middle of December resulted in a rise of about 2 cents per pound in the markets for American cotton by March 4. The movement of prices for other growths of cotton was also upward during this period. From March 4 to March 20, however, the price of American cotton declined about one-half cent per pound and a somewhat similar decline occurred in prices of foreign cotton. With the upturn in cotton price there was a general improvement in sentiment among the cotton spinners and merchants, and, as a result, sales and price-fixing increased considerably. Of more fundamental significance, however, were the improvement in the statistical position of the cotton cloth industry in the United States, and the promise of the elimination of the Indian boycott on British goods, which created some optimism in the British cotton textile industry. The lack of a substantial pick-up in textile activity throughout the world, and the continued low level of activity in most other lines of industry, were important factors influencing the movement of prices since March 4.

From February 20 to March 20 there were net declines in the Liverpool cotton market for all imported growths except Egyptian Sakellaridis and Peruvian Tanguis which made slight advances. The change in prices at Liverpool of the important growths from February 20 to March 20 in cents per pound were as follows:

Peruvian Tanguis	+ 0.02
Egyptian Sakellaridis	+ 0.20
Egyptian Uppers	- 0.14
Indian Oomra No. 1	- 0.20
American middling	- 0.18
Brazilian Ceara	- 0.18
Brazilian Sao Paulo	- 0.18
Peruvian Smooth	- 0.18
Indian Sind	- 0.30

The price of American middling 7/8 inch cotton at the ten spot markets rose from the low point of 8.58 cents per pound made on December 15 to 10.56 cents on March 4. After March 4 there was a gradual decline to 9.97 cents per pound on March 13 recovering to 10.08 cents on March 20. For the week ended March 14, the weekly average was 10.05 cents compared with 10.44 cents per pound the previous week. The average price for the week ended March 15, 1930 was 14.18 cents per pound. The average price of American middling at ten markets during February was 10.12 cents and compares with 9.37 cents in January, 9.16 in December and 15.11 cents in February, 1930. The average price received by producers in the United States in February was 9.1 cents per pound, or 0.5 cents per pound above January, 0.4 cents above December and compares with an average price of 14.8 cents in February, 1930.

Stocks and Movements

Apparent supply of American cotton in United States

The apparent supply of American cotton remaining in the United States as of March 1, 1931 totaled 10,552,000 bales compared with 8,038,000 bales a year earlier and 6,845,000 bales on March 1, 1929. The decrease in this apparent supply from February 1 to March 1 this year was 1,156,000 bales compared with a decrease last year of 967,000 bales. The greater decrease in the apparent supply this year was due to the decrease of 313,000 bales in the final ginnings figures from the December estimate of production, since domestic consumption in February was lower than last year and exports were only slightly higher.

World visible supply

The world visible supply of all cottons on March 13 totaled 9,795,000 running bales according to the Commercial and Financial Chronicle. This compares with 7,632,000 on the corresponding day last year. The visible supply of American cotton on this date was 7,190,000 bales and compares with a total of 4,860,000 bales a year earlier. The world visible supply of foreign cotton on March 13 amounted to 2,605,000 bales compared with 2,772,000 bales a year earlier. The visible supply of all growths was 2,163,000 bales above last year while the visible supply of American was 2,330,000 bales higher than a year earlier. There was a decrease in the total visible supply of all cotton from February 13 to March 13 of 105,000 bales compared with a decrease of 448,000 bales during this period last year. The decrease in the visible supply of American cotton for the month amounted to 230,000 bales this year compared with a decrease of 512,000 bales during the same period last year. No particular change has taken place in the location of the visible supply either of American or foreign cottons.

Exports of domestic cotton

Domestic exports during February amounted to about 433,000 running bales compared with 402,000 bales in February, 1930 and 613,000 bales during February, 1929, according to the Bureau of the Census. This was the first month since last September in which exports exceeded those during the corresponding month the previous year. This brought the total exports for the season to 4,904,000 bales which was 389,000 bales below exports to the end of February, 1930. Exports to France during February were above last year as has been the case during five of the seven months so far this season. Exports to Japan during February amounted to 96,000 bales and were about 42,000 bales above February, 1930. For January exports to Japan were also above the previous year so that the total to Japan so far this season is now only 58,000 bales below last year. Comparative exports to Germany during February also showed improvement, but only about 2,000 bales below February, 1930 whereas during January they were about 66,000 bales below the corresponding month the previous year.

Exports of foreign cotton

For the week ended March 12 there were 83,000 running bales of cotton exported from India compared with 49,000 bales during the corresponding week in 1930 according to the Commercial and Financial Chronicle. Most of these exports went to the Continent although a goodly proportion went to Japan and China. From August 1 to March 12 exports from India totaled 2,211,000 bales, 229,000 bales above the 1929-30 season and 285,000 bales above this period in the 1928-29 season. Thus far this season exports to the Continent of Europe have been 141,000 bales below last season while exports to Great Britain have been 41,000 bales above last season. Exports to Japan and China have been 329,000 bales above the 1929-30 season.

Exports from Alexandria during the week ended March 11 amounted to 23,000 running bales or an increase of 8,000 bales over the same period in the 1929-30 season although for the season from August 1 to March 11 exports were about 56,000 bales below the corresponding period the previous season. Exports listed by the Commercial and Financial Chronicle as going to the Continent and India is the only group showing an increase over last season.

Stocks in consuming establishments, etc.

At the end of February, 1931 stocks on hand in United States consuming establishments as reported by the Bureau of the Census amounted to 1,548,000 running bales compared with 1,806,000 bales last year. All of these stocks were of American cotton with the exception of about 88,000 bales. At this time in 1930 stocks of foreign cotton in consuming establishments amounted to 101,000 bales. This decrease of only 13,000 bales in view of the fact that imports of foreign cotton this season were about 174,000 bales below last season due to the tariff, reflects the low consumption of foreign cottons. The consumption figures which show a decline of 44.3 per cent in the consumption of foreign cotton during the first seven months of this season compared with 1929-30 whereas consumption of all cotton has declined only 23.9 per cent.

Imports of foreign cotton

Domestic imports of raw cotton during February amounted to 11,000 bales compared with 24,000 in February, 1930. For the seven months August to February, imports totaled 41,000 compared with 215,000 in the corresponding period last season. It is interesting to note that during the previous six months imports from Peru amounted to only 21 bales while during the month of February alone, they amounted to 873 bales and were 621 bales above February, 1930 when there was no tariff.

Continental spinners' takings of American cotton 1/

The takings of American cotton by continental spinners for the four weeks ended about February 20, 1931, amounted to 320,000 bales or an increase of about 46,000 bales over the previous four weeks, but were 60,000 bales below the corresponding period last season. For the season from August 1 to February 20, takings of American totaled 2,178,000 bales compared with 2,602,000 and 2,867,000 for last season and the 1928-29 season. (See Table 1)

1/ Based on report dated March 5, 1931 from Agricultural Attache' L. V. Steere at Berlin.

Table 1.- Cotton, American: Continental spinners' takings, specified periods.

Four weeks ended about	1926-27	1927-28	1928-29	1929-30	1930-31
	1,000 bales of 478 lbs.	1,000 bales of 478 lbs.	1,000 bales of 478 lbs.	1,000 bales of 478 lbs.	1,000 bales of 478 lbs.
Aug. 1-Aug. 8	(62)	(89)	(131)	(121)	(52)
Sept. 5	317	431	295	232	231
Oct. 3	288	334	339	282	276
Oct. 31	457	421	427	332	323
Nov. 28	473	440	424	434	389
Dec. 26	544	475	436	415	313
Jan. 23	449	430	454	406	274
Feb. 20	680	440	361	380	320
Total Aug.1-Feb.20	3,270	3,060	2,867	2,602	2,178
Mar. 20	539	386	477	364	
Apr. 17	463	401	332	304	
May 15	524	420	337	256	
June 12	443	361	417	245	
July 10	516	384	304	243	
July 31 1/	253	303	143	163	
Total	(6,008)	(5,315)	(4,877)	(4,177)	

1/ Three weeks.

Textile Situation

United States

Domestic mill consumption during February amounted to 434,000 bales, compared with 454,000 during January and 494,000 during February, 1930, according to the Bureau of the Census. The daily rate of consumption was higher than in January, although considerably below February, 1930. In the ten years 1920-21 to 1929-30 consumption during February averaged about 38 thousand bales below January, whereas this year it was only 20 thousand bales below January consumption. Therefore, the textile activity in the United States during February, after adjusting for seasonal, was probably above January. The total consumption for the seven months ended February 28, 1931, amounted to 2,900,000 bales compared with 3,809,000 bales during the corresponding period last season.

The statistical position of the domestic cotton cloth industry has shown considerable improvement during January and February, according to the reports of the Association of Cotton Textile Merchants of New York. In both months shipments were above production, and sales were above shipments, resulting in a decrease in stocks and an increase in unfilled orders. At the end of February stocks were the lowest since November, 1927, and unfilled orders were the largest since December, 1929.

The production of standard cotton cloth during February showed a weekly average increase over January of about 2.5 million yards, which is practically the same as the average increase during the past three years. The weekly average of sales during February, on the other hand, showed an increase of about 21.9 million yards compared with January, and was the largest since September, 1929. During the past three seasons, 1927-28 to 1929-30, the weekly average of sales during February has been about 13.3 million yards above January, and the ratio of sales to production during these years averaged 97.7 per cent, whereas during February this year the ratio was 154.0 per cent. Shipments during February, compared with January, also increased more than average during this 3-year period. For the two months January and February, sales averaged 136 per cent of production and shipments 111 per cent of production. Stocks on hand at the end of February amounted to 319.3 yards, a decrease of 10.2 per cent during the month and were 125.8 million yards, or 28.3 per cent below the end of February, 1930. Unfilled orders at the end of February amounted to 395.8 million yards, an increase of 24.7 per cent over January and 10.0 per cent over February a year ago. It is evident that the extraordinary liquidation of stocks has been accomplished by restriction of production, and that production is now more nearly in line with demand. This improvement in the statistical position has brought about price advances in nearly all constructions and has created a considerably more optimistic feeling in the industry, although prices are still said to be at unsatisfactory levels.

Great Britain

There is still some doubt as to the elimination of the boycott by Indian leaders, but the promise of elimination, the more friendly relation existing between Great Britain and India, and the fact that distributors of goods in India apparently wish to resume trade with Great Britain probably brought about an increase in exports of piece goods to India and has created a more optimistic feeling in the British industry. Exports of British cotton goods to India show the significance of the boycott problem to the British cotton industry. For the calendar year 1928 exports of piece goods to India amounted to 42.2 per cent of the total exports from Great Britain. In 1929 the percentage going to India dropped to 40.5 per cent and during 1930, the year in which the boycott was in full operation, exports going to India represent only 34.5 per cent of the total. The quantity of piece goods exported from Great Britain to India in 1930 was only 55.7 per cent as large as the quantity exported in 1929. It is difficult to say what proportion of this decline was due to the boycott on British goods and what proportion was due to other factors, such as the depression, the decline in the price of silver and the increase in the Indian tariff. That India is the backbone of Lancashire's industry is evident from the fact that China, next largest market, took only about 5 per cent of the total piece goods exports during 1928 and 1929. In 1930 exports to China including Hong Kong amounted to only 32.6 per cent of the exports in 1929 and constituted only about 2.6 per cent of the total exports of piece goods from Great Britain. This relative decline in exports to China was due to two factors; first, to internal political disorder which upset trade and reduced the purchasing power of the people, and, second, the decline in the value of silver. Exports to countries other than India and China were 76.5 per cent as large in 1930 as in 1929. Total exports to all countries for 1930 amounted to about 65.5 per cent of the 1929 exports.

Exports of piece goods from Great Britain during February amounted to 146.3 million yards compared with 155.6 million yards in January and 299.5 million during February, 1930. Yarn exports in February which amounted to 9.3 million pounds were 2.0 million pounds below January and 2.9 million pounds below February, 1930, but were still above the low point reached last September. Recent cables from Manchester report that activity in the yarn and cloth markets has increased, that sales to India continue to increase and that prospects for trade with China are better.

In that section of the Lancashire cotton manufacturing industry which makes yarns from American cotton an interesting plan for stabilizing prices of yarn has been developing for some months. The results of a ballot to determine the attitude of the trade towards the plan was announced on February 13, according to A. R. Thomson, American Consul at Manchester. The ballot indicated that 63 per cent of the Federation's members using American cotton would be willing to support the scheme. Briefly the plan is to maintain a specified margin above the cost of clean cotton on all yarn sales and to regulate production to demand through a pool of spindle hours. The proposed plan would enable the smaller mills to enjoy some of the privileges which a large combine affords. Such a plan might eliminate destructive competition in yarn selling between the mills of this section of the industry and should work toward stabilization. However the plan does not solve the important problem of foreign competition.

Continental Europe 1/

A steady rise in raw cotton prices was the outstanding feature of cotton market developments on the Continent during February. It gave cotton merchants and spinners generally more confidence in the soundness of the market, and created a healthier sentiment on the outlook than existed for a long time past. There was no material stimulus of actual business for the cotton mills, but the industry during February was undoubtedly facing the future with more optimism. The March decline in prices, however, has been accompanied by a considerable relaxation.

Among cotton men on the Continent warning voices pointing to the generally large world stocks of cotton appear to be fully offset by the opinion that supporting strength will soon be received from the demand side. Considerable attention is being given to the effect that present prices may have on acreage and the influence that the low sales of fertilizer and a warm winter may have on yields.

Despite the improvement of cotton textile sentiment in February, sales of cotton spinners and weavers on the Continent as a whole have so far shown little improvement, though some evidence of revival has appeared at the close of the month. Reports on textile sales from France are generally better than elsewhere, but a small pick-up is also indicated in Italy, Poland, and parts of Central Europe, including Germany. Unfilled orders on hand in most countries are still indicated to be very small, however, and the new business recently booked has not been sufficient to constitute a definite change in the sales situation. Prices, moreover, continue the object of much complaint.

1/ Based on report dated March 5, 1931 from Agricultural Attache L. V. Steere at Berlin, supplemented by cable on March 22.

Spinning and weaving mill activity has shown very little change during February, taking the Continent as a whole. If anything, operations may have averaged slightly lower in February than in January as a result of the restriction of activity in France. The local improvement reported from a few small centers in different countries was not adequate to offset curtailment effected at other points. There is, however, some ground for belief that statistics for March may show a slightly brighter picture.

Spinner purchases of raw cotton in February, notwithstanding little change in actual mill business, continued active throughout the month, with price fixing also of large volume. Spinners were particularly interested in American staples, but Indian also experienced good inquiry, and at times Egyptians, too, were in active demand. C.i.f. import buying by cotton merchants in February, moreover, assumed large proportions for the first time in many weeks. This general revival in buying interest in the absence of betterment in the actual distribution of cotton goods was a clear reflection of growth in cotton textile optimism. The March decline in cotton prices, however, has resulted in a decline in buying interest.

Germany

In Germany the cotton textile situation shows little real change, but one is inclined to regard it as slightly improved. Mill sales of yarn and fabrics have risen slightly, particularly in the Rhine district, but prices are considered inadequate. On the other hand, activity has not improved; on the contrary, the German spinners have formed a production cartel, representing 90 per cent of all spindleage, which is to organize a further curtailment of production by 10 per cent. As fine spinners (above No. 70 English) and two cylinder spindles, as well as spindles working to supply the mills' own looms, are exempted, about 60 per cent of all German cotton spindles are affected by the proposed reduction, which was to go into effect March 16 for a period of six weeks, unless prolonged. The restriction of output contemplated by this agreement is obviously not great, and, in fact, does not appear to be the primary goal of the cartel. Its main purpose appears to be to guard against an immediate or large increase in output when orders pick up, and the agreement, therefore, seems indicative of expected improvement in the situation of the industry rather than a further slump.

Czechoslovakia and Austria

In Czechoslovakia and Austria conditions are very much the same as a month ago, though there has been an active revival in spinner purchases of raw cotton and price-fixing, as was the case in Germany. Yarn and cloth sales have also improved somewhat, but are still on very low levels. Activity seems to have declined slightly because of the entire shutting-down of certain mills.

France

France, following slack January business for yarn and cloth, reported some improvement in February, when interest of weavers and the textile trade was stimulated by rising raw material prices. However, activity of the mills has continued restricted. Roubaix spinners have reduced work by 13 to 15 hours a week in many establishments, Rouen shuts down every Saturday, and it

can be said, generally, that in most districts spinners have reduced operations to a 5-day week. Spinner demand for raw cotton was active over most of February, and the same was true of price fixing.

Belgium

Spinners and weavers continue to complain of small orders and insufficient prices. Restriction of activity is now reported to average 25 to 40 per cent. Some wage disputes are in sight because of the intention of employers to reduce wages.

Italy

Italy reports a slight betterment toward the end of February with respect to new orders for yarn and goods, but the situation is still bad and activity of the mills remains low. Spinners are even considering an opportunity to organize short-time for some weeks. Demand for raw cotton and price-fixing has somewhat increased; spinners cotton stocks and cotton contracts are considered very small. There is no question that cotton mill activity has improved from the low levels in the fall of 1930, but this improvement is largely seasonal, and is of little significance as yet, as activity is still below anything in the past six years.

Poland

Poland reports slight improvement in the demand for yarns and cloth, and expects to obtain a reorganization of the spinner cartel.

Soviet Russia

The Russian cotton procuring program has dropped to a level in February which raised considerable doubt as to the possibility of realizing the entire amount called for in this year's plan. Up to February 20 procurings had reached to only 63.3 per cent of the plan whereas at the same time last year they amounted to 74.2 per cent. The plan, however, for this year is 41 per cent above last year and in view of the fact that a considerable amount of Russian cotton is being sold in Liverpool it seems unlikely that any failure of the procurings to equal the total plan will not interfere to a very great extent with the activity in the Russian cotton mills. The cotton textile production plan for the economic year 1931 provides for the manufacture of about 3.1 billio. yards of fabrics or an increase of about 20 per cent over the 1930 production. The actual production in 1930 was considerably below the production plan, however, and it is probable that the 1931 plan will not be reached. It also seems probable that imports of cotton from foreign sources into Russia during 1930-31 will again show a decline from previous years. Recently published figures on total Russian imports during the Russian economic year 1929-30 which begins in October shows a decrease of 44.2 per cent from 1928-29. The decline in imports of American cotton during 1929-30 amounted to 62.3 per cent.

China

It was stated last month that the unprecedentedly low exchange rate for silver had brought about relatively high prices for American cotton, and that, without corresponding advances of high count yarns, the sales of American cotton in China might be curtailed. According to a cable from Agricultural Commissioner Kyhus dated March 14 there has been an improvement in the price of high count yarn and more interest is being shown in American cotton by Chinese owned mills. With the renewed buying of American cotton during February and early March the prospects are that takings of American cotton for the 1930-31 season will be somewhat larger than last season.

The new piece goods tariff has given encouragement to the Chinese weaving industry and more looms are being added in some of the mills, in spite of the unfavorable exchange rate. This no doubt is a factor in the advance in price of high count yarns.

Production, acreage and crop condition reports

United States

Weather - According to the Weather Bureau weather conditions during the first two weeks of the past month in the cotton belt were generally favorable for farm work with a mild, dry condition existing, especially east of the Mississippi River. For the week ended March 10, in some regions which were in need of moisture, there was substantial to heavy precipitation. In much of Texas excessive winter rains followed by high drying winds left the soil in poor condition over the eastern two-thirds of the State, additional rains during the week ended March 17, however, improved this condition.

For the three months December, January and February the precipitation for the Cotton Belt east of Texas and Oklahoma, was considerably below normal while in Texas and Oklahoma there was more than a normal amount. For those States east of Texas and Oklahoma, the percentage of normal for these three months averaged about 72 per cent, and in Alabama the average was 61 which was the lowest on record. In Texas and Oklahoma the average was 127 per cent or 27 per cent above normal.

Egypt

1,202,000 bales of cotton of 478 pounds net have been ginned in Egypt for the season up to March 1, according to a cable from the International Institute of Agriculture at Rome. This is a decrease of 214,000 bales or 15 per cent under the 1,416,000 bales ginned at the same date last season, and 228,000 bales or 16 per cent under the 1,430,000 bales ginned by March 1, 1929. Of the total ginnings to March 1 this year, 302,000 bales were of the Sakellaridis variety. This is 132,000 bales or 30 per cent less than were ginned at the same date last season and 146,000 bales or 33 per cent less than were ginned by March 1, 1929. The ginnings to March 1 of all other varieties is estimated at 901,000 bales, a decrease of 82,000 bales or 8 per cent under the quantity ginned by March 1 of 1930 and 8 per cent below 1929.

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The decrease of 15 per cent or 214,000 bales from last year in the ginnings up to March 1, gives rise to some doubt of the accuracy of the latest production estimate for the 1930 crop. The estimate of production is only 2 per cent or 28,000 bales below the final estimate of the 1929 crop. Incidentally the November estimate of production in Egypt was 46,000 bales below the estimate released two months earlier. The relationship between ginnings to March 1 and the final estimates of the crops in 1928 and 1929 would indicate a crop from present ginnings about 250,000 bales below the latest estimate for 1930 of 1,697,000 bales of 478 pounds net. Of course, a slowness in ginnings could account for all of this discrepancy, but from present low prices and the reduction in the November estimate it seems reasonable to suppose that at least some further reduction may be made in subsequent estimates.

Miscellaneous news

Increased uses propaganda

In Gastonia, North Carolina there is an active movement among the various clubs as the Chamber of Commerce, women's clubs, merchants associations, and civic clubs, to promote the wearing of cotton clothing. As this county not only produces a considerable amount of cotton but has more cotton textile mills than any other county in the United States. The slogan has therefore been adopted "We Grow Cotton, We Manufacture Cotton, Let's Wear Cotton."

The first annual cotton carnival which was held in the first week of March at Memphis was, according to press reports, considered a big success. This carnival was staged by the Memphis cotton dealers, retail merchants and others interested in the welfare of the cotton industry, as a promotional feature for extending the use of cotton textiles.

As a corallary to the British Cotton Exhibition which was held on February 16-28 in London, the Lancashire retail distributors set up a permanent establishment in London for the help and guidance of British textile manufacturers, according to a report from A. R. Thomson, American Consul at Manchester. This bureau is to keep the textile products of England constantly before prospective buyers. It is felt that such a bureau would facilitate the task of the buyer whether from England or abroad, because under one roof he could examine and obtain references with regard to probably the largest collection of textile fabrics in the world.

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